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EX-CHICAGO POLICE OFFICER ARRESTED ON FEDERAL TAX AND DRUG CHARGES ALLEGING HE SOLD COCAINE HE STOLE FROM EVIDENCE ROOMS

CHICAGO -- A former Chicago Police Department officer was arrested this morning at his home in Olympia Fields on federal charges alleging that he stole multiple kilograms of cocaine from police evidence rooms while he was an officer, sold it for distribution and failed to declare income from the proceeds totaling more than \$580,000 over three years. The defendant, **John L. Smith**, 54, a police officer from 1976 until he retired in May 1999, was assigned to the evidence and recovered property section when it was located in the basement of the Criminal Courts Building at 26th and California streets. A nine-count federal grand jury indictment against Smith was returned late yesterday and unsealed today following his arrest, announced Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois.

The indictment alleges that Smith failed to pay taxes on the \$587,000 in undeclared income and that he purchased numerous luxury items with drug proceeds, including a \$174,000 Rolls Royce Silver Spur, his house and apartment building, fur coats and jewelry. It alleges that he evaded federal taxes, in part, by gambling with cash proceeds from the drug sales to disguise his exorbitant income.

Smith was charged with one count of conspiracy to possess and distribute powder and crack cocaine, one count of making a false statement to a financial institution, one count of money laundering, three counts of tax evasion and three counts of filing a false federal income tax return. He is scheduled to appear in U.S. District Court later today.

The indictment also seeks forfeiture of the 1998 Rolls Royce, a black emerald four-door sedan; a 1995 Ford Mustang convertible; his residence in Olympia Fields and an apartment building at 8350 South Maryland Ave., Chicago; and assorted fur coats and jewelry. Federal agents executed search and seizure warrants today at Smith's home and seized his Rolls Royce, Mustang, furs and jewelry. A restraining order was filed against the two pieces of real estate.

Mr. Fitzgerald announced the charges together with Thomas J. Kneir, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation; James W. Martin, Special Agent-in-Charge of the Internal Revenue Service Criminal Investigation Division; and Terry Hillard, Superintendent of the Chicago Police Department.

According to the indictment, beginning in 1995 through at least Feb. 6, 1998, Smith conspired with others, including a individual identified as Person A, to possess and distribute five kilograms or more of powder cocaine and 50 grams or more of crack cocaine. Smith allegedly took multiple kilograms of cocaine from the evidence rooms in the evidence and recovered property section and sold the cocaine to Person A on credit.

As part of the conspiracy, the indictment alleges Smith distributed wholesale quantities of cocaine to Person A at 12114 South Emerald St., Chicago, and at 1014 West 103rd Place, Chicago, knowing that individuals under the direction of Person A processed the cocaine he supplied into user quantities of powder and crack cocaine at the two locations and then sold the narcotics. Smith also allegedly collected drug debts from Person A at the two Chicago residences.

In 1996, Smith, together with Person B, allegedly lied to a mortgage lender in obtaining a loan for the purchase of his Olympia Fields home. Smith and Person B provided a gift affidavit to LaSalle Talman Home Mortgage Corp. falsely representing that Person B had given a \$70,000 gift to Smith, when, in fact, Smith had given \$70,000 in drug proceeds to Person B and Person B returned the money to Smith, making it appear as if it was a gift.

In 1999, Smith allegedly used a \$174,216.20 check drawn on his account at the Chicago Patrolmen's Federal Credit Union to purchase the Rolls Royce, knowing that the money was from the proceeds of his cocaine distribution.

The tax charges allege that for tax years 1997, 1998 and 1999, Smith evaded the total amount of income taxes he owed by concealing income from cocaine distribution and keeping the money as cash rather than depositing it in financial institutions; gambling with drug proceeds to conceal the nature and amount of his income from cocaine distribution; using cash to purchase goods and services; and filing false individual income tax returns for those years in which he failed to declare a total of approximately \$587,000 in additional income and on which he owed additional taxes totaling approximately \$218,000.

For tax year 1997, Smith declared total income of \$303,517, when, in fact, he received a total income of approximately \$360,000; for calendar year 1998, he reported total income of \$254,507, when, in fact, his income totaled approximately \$420,000; and for 1999, he declared income of \$442,544, when, in fact, he received income totaling approximately \$808,000, according to the indictment.

If convicted, Smith faces the following maximum penalties: on the narcotics conspiracy -- a mandatory minimum sentence of 10 years and a maximum of life in prison and a fine of \$4 million; on the false statement to a financial institution -- 30 years in prison and a \$1 million fine;

money laundering – 10 years in prison and a \$250,000 fine; tax evasion – 5 years and a \$250,000 fine on each count; and filing a false tax return – 3 years and a \$250,000 fine on each count. In addition, defendants convicted of tax offenses remain liable for any civil penalties, interest and taxes owed, in addition to mandatory costs of prosecution. Note, however, that the Court would determine the appropriate sentence to be imposed under the United States Sentencing Guidelines.

The government is being represented by Assistant United States Attorneys Katherine Fischer and Brian P. Netols.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendant is presumed innocent and is entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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